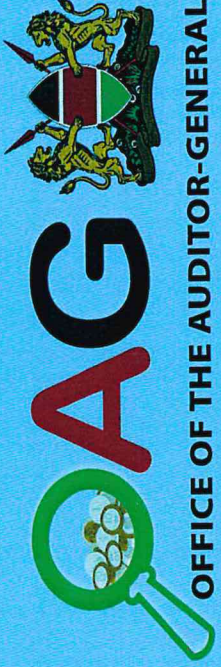
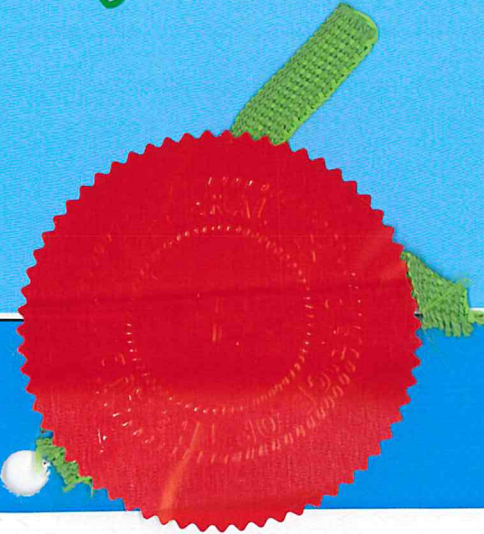


REPUBLIC OF KENYA



Enhancing Accountability



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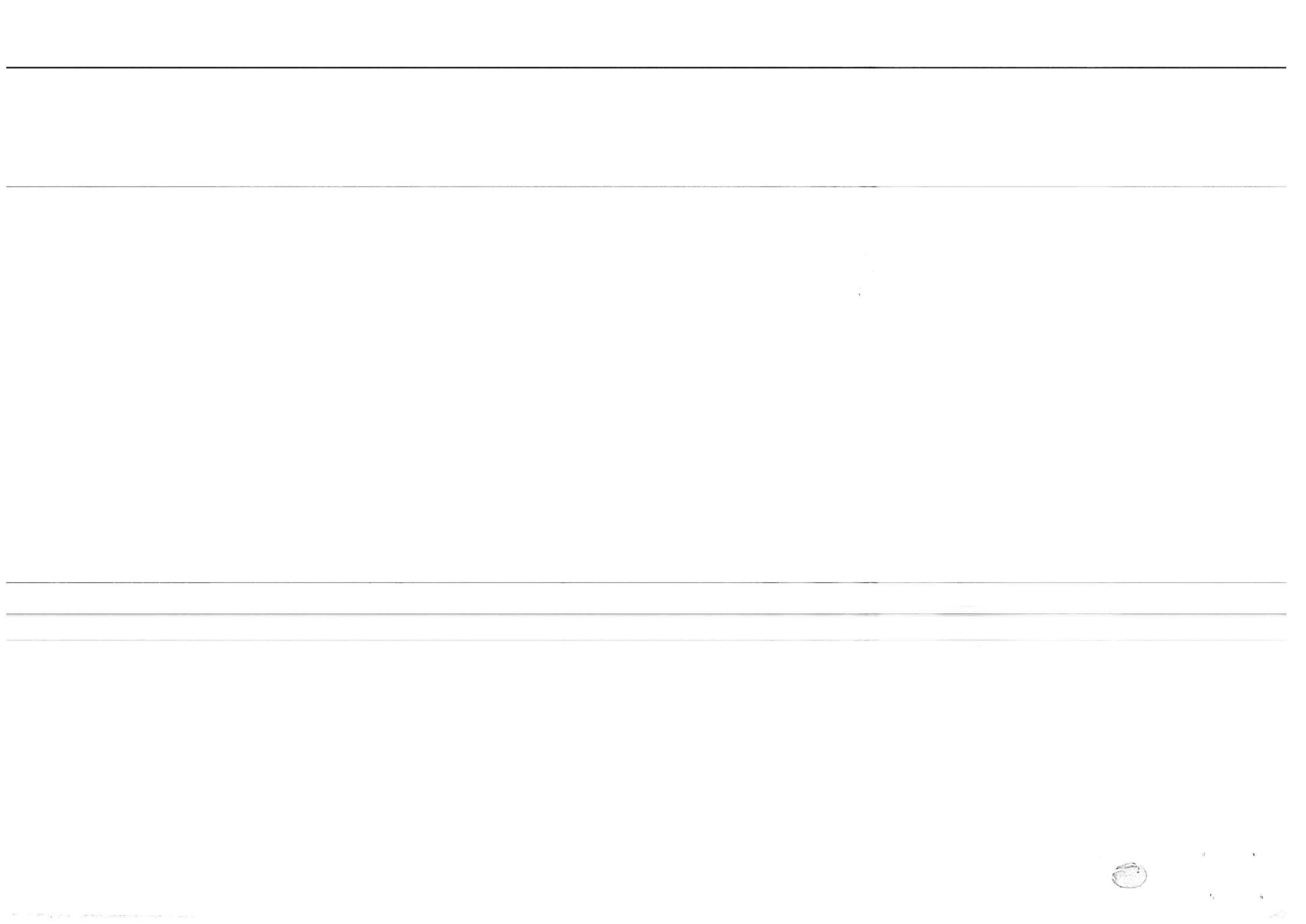
THE AUDITOR-GENERAL

ON

THE KISII NATIONAL POLYTECHNIC

**FOR THE YEAR ENDED
30 JUNE, 2020**

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KISII NATIONAL POLYTECHNIC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH JUNE 2020

Partially Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Kisii National Polytechnic was founded on 19th December 1971 as Gusii Institute of Technology in Kisii town at a meeting of Abagusii Leaders' conference attended by representative from all walks of life.

It was registered in 1972 under the Education Act cap 212 of Laws of Kenya with the objective of providing technical education and training for youths. The initial courses were secretarial and Building technology. Since then more courses have been introduced and currently K.N.P offers a total of seventy four at Artisan, certificate, Diploma and Higher Diploma Levels.

The institution was moved from St. Vincent Centre in Kisii town, where it was initially housed, to the current site in 1980 where it occupies 16.95 hectares of land. The first buildings to be put up were two workshops (wood work technology and mechanical engineering), a typing pool, Dining hall and a hostel. In 1983 with the new facilities in place other new courses were added to the curriculum. The rest of this were courses in building trades which included carpentry and joinery, plumbing, masonry and electrical installation. The institution has continued to grow thanks to Donor assistance from various bodies and organisations.

The institution was elevated to a national polytechnic in May 2016 through Legal Notice No. 93.

The Kisii National polytechnic currently offers various faculties namely Business studies, Computer Studies, Mechanical Engineering, Electrical and Electronics Engineering, Building and Civil Engineering, Communication and development, applied sciences, Health sciences And Agricultural and Environmental Sciences

Currently the institution boasts of a student population of 8,231 students, 252 trainers and 151 Non Trainers from all over the country. The institution has also expanded its infrastructures like completion of modern library, Mechanical, I.M.S and Electrical workshop. Currently working on third and final phase of modern Tuition complex at a cost of over 140,000,000.

The Kisii National Polytechnic is a hub of activities where people work together to transform dreams into skills for life. We look forward to taking the polytechnic to the higher level of training individual in order to further their goals and to benefit Kenya.

(a) Principal Activities

The mandate of the polytechnic is to develop an institution with excellence in teaching, Training Scholarship, Entrepreneurship, Research, Consultancy, Community services and products with emphasis on technology, its development, impact and application within and outside Kenya.

Vision

To be a preferred training institution, for technical and vocational skills development

Mission

To develop highly qualified, globally competitive and innovative human resource by providing quality training, applied research & extension and entrepreneurship skills that are responsive to market demands.

Key Management

The Kisii National Polytechnic day-to-day management is under the following key organs:

- Governing council members
- Accounting officer/ Principal Management
- Heads of Departments

(b) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	Mr. Daniel Nyariki Onywoki
2.	Head of Finance	Ms Elizabeth Orwasa
3.	Head of Procurement	Mr Vicky Maosi

(c) Fiduciary Oversight Arrangements

Name of the Committee	Members
Finance and General Purpose Committee	<ol style="list-style-type: none"> 1. Eng Andrew Ngeno-Chair person 2. Ms Esther Asati-Member 3. Mr. Daniel Nyariki – Secretary 4. Mr Tom Olango. - Member
Audit and Risk Management Committee	<ol style="list-style-type: none"> 1. Mr John Kimani – Chairperson 2. Evarastus Gichana – Secretary 3. Mr Nathan Orora - Member
Education and Research Committee	<ol style="list-style-type: none"> 1. Dr Onyansi Nyakwara – Chairperson 2. Eng Andrew Ngeno- Member 3. Mr Tom Olango. – Member 4. Mr. Daniel Nyariki – Secretary
Human Resource committee	<ol style="list-style-type: none"> 1. Ms Esther Asati – Chairperson 2. Dr Onyansi Nyakwara – Member 3. Mr Tom Olango- Member 4. Mr Daniel Nyariki- Secretary

(d) Entity Headquarters
KISII NATIONAL POLYTECHNIC
P.O. Box 222
KISII-KEROKA ROAD
KISII, KENYA




(e) Entity Contacts
Customer Care Desk
Telephone: 058-76906/0700876991
E-mail: info@kisiipoly.ac.ke
Website: www.kisiipoly.ac.ke




(f) Entity Bankers
Co-operative Bank of Kenya -Kisii Branch.
Kenya commercial Bank -Kisii Branch.



(g) Independent Auditors
Auditor General
Office of Auditor General
Anniversary Towers, Institute Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(h) Principal Legal Adviser
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya





2. THE GOVERNING COUNCIL




 <p>PROF. KISILU KITAINGE CHAIRPERSON</p>	<p>PhD in Education (TVET)-Royal Melbourne Institute of Technology (RMIT University) Melbourne, Australia M. Phil and B.Ed –Technology Power Mechanics Technology) Moi University, Kenya.</p>
 <p>MR. JOHN KIMANI MEMBER</p>	<p>MBA Entrepreneurship- Assam Bosco University Bsc Computer science- Nairobi University CPA ACII (Associate of Chartered Insurance Institute)</p>
 <p>MR. NATHAN ORORA MEMBER</p>	<p>University of Nairobi –MBA Bsc Medical Microbiology - JKUAT</p>

 <p>DR. SIMON NYAKWARA MEMBER</p>	<p>Phd in Human Resource Management (MKU) Master in B.A –Madurai University PGTE-Kenyatta University</p>
 <p>MS. ESTHER ASATI MEMBER</p>	<p>Post graduate diploma in law-Kenya school of Law Bachelors of Laws, LLB(Hons) University of Nairobi</p>
 <p>MR. TOM OLANGO REGIONAL TVET DIRECTOR</p>	<p>Regional Director of Technical and Vocational Education and Training (TVET) Master of Education in Curriculum Studies from Nairobi University</p>

 <p>ENG. ANDREW NGENO MEMBER</p>	<p>B.Sc. Mechanical Engineering –University of Nairobi Certificate in Sugar cane Technology- Mauritius</p>
 <p>MR. DAVID MWANGI PRINCIPAL</p>	<p>MBA Supplies Management</p>

3. MANAGEMENT TEAM

 <p>MR. DAVID MWANGI PRINCIPAL</p>	<p>MBA Supplies Management</p>
 <p>MR. JOHN OMONDI DEPUTY PRINCIPAL - ACADEMICS</p>	<p>B.E.D(Technology)-Moi University Higher Diploma-Kenya Polytechnic.</p>
 <p>MRS. GRACE MAUTI DEPUTY PRINCIPAL ADMINISTRATION</p>	<p>Masters in Guidance and Counselling –Egerton University Bachelors in Education –Kenyatta University</p>
 <p>MR. NICODEMUS MIRIOBA DEAN OF STUDENT</p>	<p>Education: Degree Bachelor of Science Institution: Egerton University</p>

 <p>MR. ERIC OMUNDI REGISTRAR ADMINISTRATION</p>	<p>Bachelor of Education Arts Institution: Egerton University</p>	
 <p>MS. BEATRICE NYAREKI REGISTRAR ACADEMICS</p>	<p>Education level:-Masters in Education with Guidance and Counselling</p>	
 <p>MS. ELIZABETH N. ORWASA FINANCE OFFICER</p>	<p>CPAK, BCOM in Accounting Institution:- Kisii University</p>	

CHAIRMAN'S STATEMENT

It is my honor to present the Annual Report and Financial Statement of the Kisii National Polytechnic for the financial year ended 30th June, 2020.

The Kisii National Polytechnic plays a pivotal role in developing highly qualified, globally competitive and innovative human resource by providing quality training, Applied Research and extension and entrepreneurship skills that are responsive to the ever changing, market demands. This goes a long way in skilling the youth for both industry demands and increasing youth self-employment.

The Kisii National Polytechnic takes cognizance of the global clarion call of sustainable development and our country's development agenda as defined in Vision 2030, Agenda 2063 - the Africa we want and specifically in the Big Four Agenda of the government of Kenya.

In the middle of this Financial Year, the Kisii National Polytechnic had to deal with the effects of COVID-19 which is a global pandemic. In addressing and mitigating the effects of COVID-19, the Kisii National Polytechnic took bold steps in renovating the polytechnic in instituting both WHO protocols and guidelines of the MOH. The facility of the polytechnic which inter alia was not envisaged has had enormous pecuniary implications.

The Polytechnic seeks linkages and collaborations with industry players and other higher learning institutions notable among this is the collaboration with Vancouver Island University of Canada and the Department of Building and Civil Engineering under the Kenya Education for Employment Project (KEFEP) through the collaboration, Kisii National Polytechnic received equipment for masonry, carpentry and plumbing Workshops. Other collaborations include, the Kenya Dairy Board with the Department of Agriculture and Environment among others. These linkages and collaborations enhance our mission in reaching our vision.

I wish to commend the government for capitation program and HELB that support trainees in paying their fees. This indeed has enabled many trainees who hitherto could not afford technical and Higher education and training to access the same. We appeal for further support from the private sector, non-governmental organizations and other players in industry to enable more trainees access the much needed training.

The Governing Council would like to appeal to the government to enhance our recurrent and capital development grants to enable the Polytechnic meet its financial obligations and expand its physical facilities to accommodate surging enrollment.
Thank you and God bless you.

SignatureDate..... 17/3/2021

PROF. KISILU KITAINGE

CHAIR, GOVERNING COUNCIL

4. REPORT OF THE PRINCIPAL FOR THE PERIOD ENDED 30TH JUNE 2020

I am indeed pleased to present the Annual Report and Financial Statement of Kisii National Polytechnic (KNP) for the year ended 30th June, 2020.

NON-FINANCIAL INFORMATION

Background

The Kisii National Polytechnic is located within Kisii Municipality about 1.5 km south east of Kisii Township, Kisii County. The Institution was founded in 1971 as Gusii Institute of Technology to offer training in Technical Education and Business Studies. It was upgraded to a national polytechnic in 2016.

Departments and Courses

The institution currently offers 96 courses across 10 academic departments namely;

1. Computer studies,
2. Electrical and Electronics Engineering,
3. Mechanical and Automotive Engineering,
4. Building and Civil Engineering,
5. Communication and Development Studies,
6. Hospitality and Institutional Management Studies,
7. Health Sciences,
8. Applied Sciences,
9. Agricultural and Environmental Studies,
10. Business Studies

The courses are offered at four levels of Artisan, Craft, Diploma and Higher National Diploma.

Trainees and Staff

The present admission strength stands at 8,231 trainees who are served by 252 teaching and 151 non-teaching staff. The Institution has students and staff from all parts of the country. The population is expected to continue increasing rapidly due to the high demand for tertiary education in the country and the fact that the institution has a national appeal in its status as a national polytechnic.

Best Practice

Kisii National Polytechnic has embraced best practice in its service delivery by investing in a 5-year strategic plan. The vision of the Institution is “*To be the preferred training institution for Technical and Vocational skills development*”. This vision is well informed by its mission “*To develop highly qualified, globally competitive and innovative human resource by providing quality Training, Applied Research & Extension and Entrepreneurship skills that are responsive to market demands*”.

To ensure service delivery as envisaged in its vision and mission statements the institution uses performance contracting where targets are set by all departments and staff and are used to inform and measure performance. KNP also holds graduation ceremony annually to celebrate and confer awards to graduates of the institution. About 700 trainees graduated in October 2019. The institution also carries out regular surveys on customer satisfaction, employee satisfaction, Training Needs Analysis among others to help inform on interventions that will ensure growth within the polytechnic.

The institution's service delivery is also informed by Quality Management System. The Kisii National Polytechnic is ISO 9008:2015 certified.

Co-Curricular and Extra-Curricular Activities

Kisii National Polytechnic has a vibrant co-curricular and extra-curricular system which enables the trainees to develop themselves in ways beyond the conventional curriculum. The institution has over the years defined its place in research and innovation by participating annually in the national science week, Kenya Association of Technical Training Institutions (KATTI) research conference and in the regional and national TVET fairs where the polytechnic has won accolades by taking podium positions. The polytechnic also participates in games and sports and music and drama which proffer the trainees with prowess in psychomotor skills.

INITIATIVES FOR FY2019/20

In the FY2020/2021 Kisii National Polytechnic will initiate the following projects to enable define its place in the community.

Perimeter wall: In the financial year 2019-2020 the institution constructed a perimeter wall fence measuring 200 meters and a modern gate. In the financial year 2020/2021 the college intends to extend the construction of the perimeter wall fence to enhance security of the institution.

Installation of Biometric Identification System: The Polytechnic plans to install a biometric identification system at the gate to prevent unauthorized access to the Polytechnic's facilities.

Solar Installation: The Polytechnic plans to install solar panels in the tuition complex to reduce on electricity costs.

Training: KNP has also come up with training courses that are flexible in time and distance to enable access to many clients especially the working populace. At least 5 such courses will be rolled out in the FY2019/20.

Polytechnic roads and walkways: The KNP shall in the current financial year also upgrade its roads and walkways to help enable easy movement and hygiene in the compound.

CHALLENGES

The challenges the institution is facing that are militating against intended growth initiatives include the following:

The institution having been an institute of technology and not a technical training institute has in the past experienced low growth in facilities as compared to student population. This therefore means that a number of necessary facilities and infrastructure are not sufficient. These include the following;

- Infrastructure including Classrooms, Workshops, Hostels all of which are insufficient in in number and state. Currently the institution can only house 600 trainees as borders. The few classrooms and workshops also mean that lessons have to go late into the evening.
- Fencing of the compound. Currently there is no permanent perimeter fence which exposes the institution to insecurity for the reason that the institution is only 1 km away from the CBD.
- Shortage of trainers. The high student population has also seriously challenged our staff sufficiency meaning that a large portion of our budget has to go to salaries of governing council employed staff. We request that we be allotted more funds as we await the ministry to increase recruitment of staff.

CONCLUSION

The foregoing elicits the place of KNP and its endeavors on growth and responsiveness to the community. It is not possible for the polytechnic to achieve the initiatives listed and the growth that it anticipates without partnership and support from the government, both national and county, the industry and other stakeholders.

It is our humble request to the government and other stakeholders to partner with us in this and many other initiatives to help propel the growth of this premier institution in the region in providing skill based training to our youth and inform growth and industrialization and employment opportunities for our region and our nation.

5. CORPORATE GOVERNANCE STATEMENT

The governing council of Kisii national polytechnic is responsible and accountable to the government of Kenya through the ministry of education, science, and technology for ensuring that the polytechnic complies with the TVET Act 2013.

The functions of the governing council;

- i) Manage the property and funds of the polytechnic in a manner and for purposes which shall promote the best interests of the polytechnic.
- ii) Receive on behalf of the polytechnic and the mentored institutions monies from the ministry.
- iii) Provide for the welfare of the staff and students of the polytechnic.
- iv) Enter into associations with other polytechnics, universities and Technical Training Institutions whether within or outside Kenya as the council may deem necessary and appropriate.

Induction and Training

In the financial year 2019/20 the governing council attended an induction workshop at the Kisii National Polytechnic.

6. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY

The polytechnic is committed in giving back to the society by responding to the immediate needs of the society. During the financial year 2019/20 the polytechnic reached out to the community in the following ways;

- i) Visited and assisted the Kisii children's home with foodstuff and other supplies.
- ii) Assisted in cleaning Kisii town and its environs.
- iii) Gave out the polytechnic grounds to a number of institutions for use in enhancing their activities.
- iv) Distributed masks to mitigate the effects of COVID 19 pandemic





Report of the Council

The polytechnic operations are geared to offer the best services to its customers in line with the strategic plan and the core mandate.

Review of the strategic plan

The polytechnic initiated the process of reviewing its strategic plan to cover the period 2018-2022.

This has given the polytechnic a noble opportunity to align all its objectives and plans in order to remain relevant in the field of training. Among areas under review includes; academic programmes, infrastructure, human capacity, customer satisfaction, the big 4 agenda initiative and resource mobilization.

Student Enrolment

The polytechnic has experienced high student enrolment of recent years. During the year under review the polytechnic has attained growth in population of 8,231 from 7700 during the period 2019/2020. The polytechnic is looking for ways of expanding its facilities in order to cater for the experienced increase in enrolment of trainers.

Training programmes

The polytechnic has initiated development of new curricula geared towards introduction of CBET training which is in line with job market demand. The polytechnic has initiated more than five collaborations with industries to help the trainees gain experience while on training.

Principal activities

The principal activities of the entity are Ref Page iii

Governing Council

The members of the Governing Council who served during the year are shown on page Vi-Viii

Auditors

The Auditor General is responsible for the statutory audit of the Kisii National Polytechnic in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

Sign.....


By Order of the Governing Council

DAVID MWANGI
PRINCIPAL

7. STATEMENT OF GOVERNING COUNCIL MEMBERS' RESPONSIBILITIES.

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, and section 29 of schedule 2 of the Technical and Vocational Education and Training Act, 2013 - entities should quote the applicable legislation under which they are regulated) require the council members to prepare financial statements in respect of that KNP, which give a true and fair view of the state of affairs of the KNP at the end of the financial year/period and the operating results of the KNP for that year/period. The council members are also required to ensure that the KNP keeps proper accounting records which disclose with reasonable accuracy the financial position of the KNP. The council members are also responsible for safeguarding the assets of the KNP.

The council members are responsible for the preparation and presentation of the financial statements of the Kisii National Polytechnic, which give a true and fair view of the state of affairs of the Kisii National Polytechnic as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Kisii National Polytechnic; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The council members accept responsibility for the Kisii National Polytechnic financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSSAS), and in the manner required by the PFM Act, 2012. The council members are of the opinion that the Kisii National Polytechnic financial statements give a true and fair view of the state of transactions during the financial year ended June 30, 2020, and the financial position as at that date. The council members further confirm the completeness of the accounting records maintained for the Kisii National Polytechnic which have been relied upon in the preparation of the Kisii National Polytechnic financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the council members to indicate that the Kisii National Polytechnic will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements were approved by the Council on 17 3 2021 and signed on its behalf by:



Mr. John Kimani
Council Member



Dr. Onyansi Nyakwara
Council Member



Ms. Esther Asati
Council Member



REPORT OF THE AUDITOR-GENERAL ON THE KISII NATIONAL POLYTECHNIC FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kisii National Polytechnic set out on pages 1 to 21, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kisii National Polytechnic as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Training and Vocational Act, 2013.

Basis for Qualified Opinion

1. Accuracy of Financial Statements

1.1 Casting Errors and Inaccurate Presentation of the Financial Statements

Examination of the financial statements reflects the following casting errors and inaccuracies in the presentation of financial statements: -

- i. The statement of cashflows reflects Kshs.264,377,366 in respect to rendering of services, however, Note 2 to the financial statements reflects accrued revenue students fees of Kshs.17,181,866 which has been included as part of the revenue earned,
- ii. Note 22 to the financial statements reflects additions to the assets of Kshs.175,370,639 whereas the statement of cashflows reflects investing activities of Kshs.166,162,524 resulting to unexplained and unreconciled variance of Kshs.1,994,221,

- iii. Working capital items have been omitted in the statement of cashflows,
- iv. Note 5 to the financial statements reflects comparative expenditure under use of goods and services of Kshs.219,595,805, recasting gives a total expenditure of Kshs.217,227,375 resulting to casting error of Kshs.2,368,430,
- v. Note 12 to the financial statements reflects comparative balance under cash and cash equivalents of Kshs.209,826,341, recasting gives a balance of Kshs.209,831,142 resulting to casting error of Kshs.4,801.

Consequently, the completeness, accuracy, presentation and disclosure of the financial statements could not be confirmed.

1.2 Wrong Classification of Other Income

As disclosed under Note 4 to the financial statements, the statement of financial performance reflects other income of Kshs.52,261,433 which include prepaid fees amounting to Kshs.5,331,933 classified as revenue instead of liability hence overstating other income by the same.

Consequently, the accuracy, validity and completeness of Kshs.52,261,433 for the year ended 30 June, 2020 could not be confirmed.

2. Revenue from Exchange Transactions

2.1 Unsupported Rendering of Services - Fees from Student

As disclosed under Note 2 to the financial statements, the statement of financial performance reflects rendering of services - fees from student of Kshs.311,760,979 which was not supported with analysis of the active students in session during the financial year 2019/2020 together with the fee chargeable per student.

Consequently, the accuracy, validity and completeness of Kshs.311,760,979 for the year ended 30 June, 2020 could not be confirmed.

3. Inaccurate Property Plant and Equipment

As disclosed under Note 22 to the financial statements, the statement of financial position reflects property, plant and equipment of Kshs.1,542,756,321 as at 30 June, 2020. The following anomalies were noted:

- i. Additions during the year amounted to Kshs.175,370,639 which differs with schedules provided of Kshs.123,716,899 resulting to unreconciled or supported variance of Kshs.51,653,740,
- ii. Included in the cost of assets is unexplained prior year adjustment of Kshs.191,053,795,
- iii. Further, recasting of the additions during the year amounts to Kshs.173,620,248 resulting to an error of Kshs.1,750,391,

iv. The Net book value as at 30 June, 2019 has not been disclosed. Consequently, the accuracy, validity, completeness, presentation and disclosure of the property, plant and equipment as at 30 June, 2020 could not be confirmed.

4. Receivables from Exchange Transactions

As disclosed under Note 13 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.31,997,209 which includes an amount of Kshs.30, 544,183 in respect of Government sponsored National Youth Service trainees. Included is an amount of Kshs.10,547,796 outstanding for more than 4 years. However, there was no evidence of any correspondence between the institution and the Ministry seeking to recover these amounts.

Consequently, the completeness, accuracy and recoverability of the receivables from exchange transactions of Kshs.31,997,209 as at 30 June, 2020 could not be confirmed.

5. Prior Year Adjustments

The statement of changes in net assets for the year ended 30 June, 2020 reflects revaluation reserves of Kshs.1,238,961,632 which includes prior year adjustments of Kshs.7,061,365 as detailed in Note 9.3 to the financial statements. However, the adjustment was effected in the current financial year instead of prior year, contrary to International Public Sector Accounting Standard No.3; which states that 'Except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by: (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.'

Consequently, the accuracy, validity and completeness of the prior year adjustment balance of Kshs.7,061,365 as at 30 June, 2020 could not be ascertained.

6. Variances between the Statement of Budget and Actuals and the Summary Statement of Financial Performance

The statement of budget versus actual for the year ended 30 June,2020 reflects final budget and actual comparable basis of Kshs.692,770,539 and Kshs.585,206,986 respectively. The following anomalies were noted:-

- i. The statement of financial performance reflects total revenue of Kshs.617,204,195. However, the statement of budget and actuals reflects total revenue of Kshs.585,206,986 in respect to the same item resulting to unexplained and unreconciled variance of Kshs.31,997,209,
- ii. Note 22 to the financial statements reflects additions to the assets of Kshs.175,370,639 whereas the statement of budget and actuals reflects

development expenditure of Kshs.166,162,524 resulting to unexplained and unreconciled variance of Kshs.1,994,221,

- iii. The statement of budget and actuals reflects final budget of Kshs.17,830,028 with an original budget of Kshs.19,824,549 resulting to a casting error of Kshs.1,994,521.

Consequently, the accuracy, validity, completeness, presentation and disclosure of the budget and actual comparable basis of Kshs.692,770,539 and Kshs.585,206,986 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kisi National Polytechnic Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Other Matter

1. Budgetary Control and Performance

1.1 Revenue Analysis

The statement of budget and actual amount for the year ended 30 June, 2020 reflects Ksh.692,770,539 and Ksh.585,206,986 in respect to budgeted revenue and actual revenue respectively translating to an overall under - realization of Kshs.107,563,553 or 16% of the budget.

The Kshs.107,563,553 receipt shortfalls represent services planned for but not delivered to Kisii National Polytechnic.

1.2 Expenditure Analysis

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects Kshs.699,759,945 and Kshs.532,257,286 in respect budget and actual expenditure respectively resulting to under absorption of Kshs.167,502,359 or 24%.

Further there was an approved over expenditure under remuneration of directors of Kshs.7,005,124 contrary to Section 52(1)(a) of Public Finance Management (National Government) Regulations, 2015 which states that no public officer can spend or commit funds until he or she has been properly authorized by means of an Authority to Incur Expenditure (AIE) to do so.

The budget under absorption of Kshs.167,507,659 is equivalent to services budgeted for but not delivered to the students of Kisii Polytechnic.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Property, Plant and Equipment

1.1 Uncompleted construction of Tuition, Workshop and Office Block

As disclosed under Note 22 to the financial statements, the statement of financial position reflects property, plant and equipment of Kshs.1,542,756,321 which includes mentee projects balance of Kshs.179,731,234. Included is Kshs.1,864,117 in respect of construction of tuition, workshop and office block at Riamo Technical Vacation Centre for contract sum of Kshs.48,627,833.The contract was awarded to a contractor on 6 November, 2014 for a period of 52 weeks. Although the project was behind schedule, it was noted that it is now approximately 97% complete as confirmed by site meeting report dated 17 June, 2020. However, physical verification the following defects were noted:-

- i. The firefight equipment has not been installed as provided by the specifications,
- ii. Clearing and labelling the site from some debris was done,
- iii. Installation of the transformer and completion of electrical wiring in the building had not been done.

1.2 Stalled Project - Construction of Tuition, Workshop and Office Block

As disclosed under Note 22 to the financial statement, the statement of financial position reflects property, plant and equipment balance of Kshs.1,542,756,321 which includes mentee projects balance of Kshs.179,731,234. Included is Kshs.18,941,236 in respect of construction of tuition, workshop and office block at South Mugirango Technical Vacation Centre for contract awarded and commissioned on 9 May, 2019, at a contract sum of Kshs.55,000,000 and expected completion date 24 April, 2021.Total amount paid to contractor as per certificate is Kshs.28,936,236 while percentage of work done to date is 62.2%.

Physical verification of that the project revealed that it has stalled and contractor was on site.

1.3 Incomplete Works on Construction of Twin Classroom and Office Block

As disclosed under Note 22 to the financial statements, the statement of financial position reflects property, plant and equipment of Kshs.1,542,756,321 which includes mentee projects balance of Kshs.179,731,234. Included is Kshs.6,359,872 in respect of construction of proposed erection and completion of twin classroom and office block at Kitutu Masaba Technical Training Institute. The contract was awarded on 15 February, 2016 at a contract sum of Kshs.54,983,210 for a period of 52 weeks. Amount certified to date is Kshs.48,873,876.40 under the certificate No. 27 while the contract time lapsed and practical completion/handling over was done on 23 December, 2020. However, physical verification revealed the following defects:

- i. Earthing of lightening not placed at 1.5 metres away from the building,
- ii. Screeding the top of the septic tank with nil finish not done,
- iii. Installation of two (2) water pumps not completed,
- iv. Pinching of stone work on the edger of the paving slabs from the main entrance, was not done hence risk of concrete slabs falling off with time.

In the circumstances, the regularity and value for money of the expenditure of Kshs.179,731,234 as at 30 June, 2020 could not be confirmed.

2. Employee Costs - Non-Adherence to Third Pay Rule

As disclosed under Note 6 to the financial statements, the statement of financial performance reflects Kshs.95,011,091 as compensation of employees which includes Kshs.86,385,056 in respect of salary and wages. Examination of the polytechnic's payroll revealed that thirty four (34) staff were earning less than the minimum allowable net pay as per their different job groups contrary to the third pay rule and Section 3.10 of the Kisii National Polytechnics human resource policy manual.

Consequently, the Polytechnic Management is in breach of the law.

3. Staff Ethnic Composition

As disclosed under Note 6 to the financial statements, the statement of financial performance reflects Kshs.95,011,091 as compensation of employees which includes Kshs.86,385,056 in respect of salary and wages. The total number of employees of Kisii National Polytechnic was 256 out of which 230 or 90% are members of the dominant ethnic community, which is contrary to the requirement of Article 232(1)(h) of the constitution which states that the representation of Kenya's diverse communities; and Section 7(1) and (2) of the of the National Cohesion and Integration Act, 2008 which states that" all public establishment shall seek to represent the diversity of the people of Kenya in employment of staff and no public establishment shall have more than one third of its staff from the same ethnic community.

Consequently, the Polytechnic Management is in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report. I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Risk Management Strategy

The review of the internal controls revealed that Kisii National Polytechnic lack the Risk Management Strategy to ensure that all operations are performed within the approved risk tolerance levels. There was no documented disaster recovery plan to deal with loss of data or information in case of systems failures to protect the IT infrastructure in the event of a disaster. Further, there is no assurance on the effectiveness of Risk Management strategies as required by the provisions of Section 165(1a) of Public Finance Management (National Governments) Regulations, 2015.

In the circumstance, the Polytechnic may not be able to respond effectively in an event of a disaster.

2. Lack of Debts Management Policy

The Polytechnic does not have a clear policy and strategy on debts management; spelling out modalities on recovery of outstanding debts, when a debt becomes bad and doubtful, and when a bad debt is to be written off.

In the circumstance, the Polytechnic may not be able to manage its cash flow effectively.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable due to fraud or error and for its assessment of the effectiveness of internal the preparation of financial statements that are free from material misstatement, whether control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the ability of the Polytechnic to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Polytechnic either intends to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The governing Council is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Polytechnic monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Polytechnic policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Polytechnic's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Polytechnic to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Polytechnic to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 February, 2022

Kisii National Polytechnic
Annual Report and Financial Statements for The Year Ended June 2020

9 Statement of Financial Performance for the Year Ended 30th June 2020


	Notes	2019/2020	2018/2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the National Government – grants/ gifts in kind	1	253,181,783	200,205,497
Total Revenue from non-exchange transactions		253,181,783	200,205,497
Revenue from exchange transactions			
Rendering of services-fees from student	2	311,760,979	264,377,366
Finance income	3	-	1,994,521
Other income	4	52,261,433	10,556,974
Revenue from exchange transactions		364,022,412	276,928,861
Total revenue		617,204,195	477,134,358
Expenses			
Use of goods and services	5	222,434,498	219,595,805
Employee costs	6	95,011,091	58,929,649
Governing Council Allowances	8	7,005,124	-
Depreciation and Amortization expense	9 & 16	39,745,187	42,134,593
Other development expenditure		-	43,812,940
Grants and subsidies	10	41,529,449	51,771,053
Finance costs	11	114,600	70,150
Total expenses		405,839,948	416,314,190
Net Surplus for the year		211,364,247	60,820,168

Kisii National Polytechnic
Annual Report and Financial Statements for The Year Ended June 2020


9.1 Statement of Financial Position as At 30th June 2020

	Notes	2019/2020	2018/2015
Current assets			
Cash and cash equivalents	12	247,965,498	209,831,140
Receivables from exchange transactions	13	31,997,209	17,181,866
Receivables from non-exchange transactions	14	27,948,791	86,040,000
Inventories	15	5,705,976	2,703,833
Total Current Assets		313,617,474	315,756,839
Non-current assets			
Work in Progress			
Property, plant and equipment	22	1,542,756,321	1,231,900,227
Long term receivables from exchange transactions		-	-
Total Non-current Assets		1,542,756,321	1,231,900,227
Total assets		1,856,373,794	1,547,657,065
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	94,092,623	58,827,982
Refundable deposits from customers	18	38,052,806	25,772,982
Total Current Liabilities		132,145,429	84,600,288
Non-current liabilities			
Total Non-current liabilities		-	-
Total liabilities		132,145,429	84,600,288
Capital and Reserves			
Capital		1,238,961,632	1,231,900,227
Accumulated surplus		428,871,862	217,507,615
Capital Fund/Grants		56,394,872	13,648,936
Total Capital and Reserves		1,724,228,366	1,463,056,777
Total Liabilities and Capital & Reserves		1,856,373,794	1,547,657,065

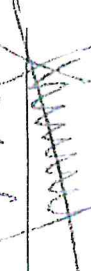
The financial statement set out on pages 1 to 20 were signed on behalf of the governing council by


Date 17/3/2021

Prof Kisilu Kitainge
Chairman of G.C


Date 17/3/2021

Mr David Mwangi
Principal


Date 17/3/2021

Ms Elizabeth Orwasa
Finance Officer

ICPAK No. 23070

Kisii National Polytechnic
Annual Report and Financial Statements for The Year Ended June 2020

9.2 Statement of Cash Flows for the Year Ended 30th June 2020

	Note	2019/2020	2018/2019
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Government entities/Govt. grants	1	253,181,783	200,205,497
Rendering of services- Fees from students	2	279,763,770	264,377,366
Finance Income	3	-	1,994,521
Other income, rentals	4	52,261,433	10,556,974
Total Receipts		585,206,986	477,134,358
Payments			
Use of goods and services	5	222,434,498	219,595,805
Compensation of employees	6	95,011,091	58,929,649
Development Expenditure- Investing activities-PPE	7	-	43,812,940
Governing Council Allowance	8	7,005,124	-
Grants and subsidies paid	10	41,529,449	51,771,053
Finance cost	11	114,600	70,150.00
Total Payments		366,094,762	374,179,597,02
Net cash flows from operating activities		219,112,224	102,954,760
Cash flows from investing activities			
Property, plant and Equipment-Development expenditure	7	- 166,162,524	- 65,164,733
Proceeds from sale of property, plant and Equipment		-	-
Decrease in non-current receivables	13	- 14,815,343	-
Increase in investments		-	-
Net cash flows used in investing activities		- 180,977,867	- 65,164,733
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Increase in deposits		-	38,426,671
Net cash flows used in financing activities		-	38,426,671
Net increase/(decrease) in cash and cash equivalents		38,134,357	76,216,699
Cash and cash equivalents at 1 July 2019	12	209,831,141	133,614,440
Cash and cash equivalents at 30 June 2020	12	247,965,498	209,831,141

Kisii National Polytechnic
Annual Report and Financial Statements for The Year Ended June 2020

9.3 Statement of Changes in Net Asset for the Year Ended 30th June 2020

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/	Total
				Development Grants/Fund	
				-	
Balance b/f as at July 1, 2018	1,260,795,761	- 21,834,129	156,686,728	-	1,395,648,360
Revaluation gain	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-
Total comprehensive income	-	-	60,820,168	-	60,820,168
Capital/Development grants received during the year	-	-	217,506,896	13,648,936	231,155,832
Transfer of depreciation/amortization earnings	-	-	-	-	-
Balance c/d as at June 30, 2019	1,231,900,267	-	217,507,615	13,648,936.00	1,463,056,818
Balance b/f as at July 1, 2019	1,231,900,267	-	217,507,615	13,648,936	1,463,056,818
Revaluation gain	-	-	-	-	-
Prior Year adjustment on reserves	7,061,365	-	-	-	7,061,365.00
Total comprehensive income	-	-	211,364,247	-	211,364,247
Capital/Development grants received during the year	-	-	-	42,745,936	42,745,936
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-	-	-
Balance c/d as at June 30, 2020	1,238,961,632	-	428,871,862	56,394,872	1,724,228,366

Kisii National Polytechnic
Annual Report and Financial Statements for The Year Ended June 2020

9.4 Statement of Budget vs. Actual For the Year Ended 30th June 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
Transfers from other Govt entities and Govt grants	174,780,000	94,795,598	269,575,598	253,181,783	16,393,815
Rendering of services- Fees from students	414,229,120	-8,864,507	405,364,913	279,763,770	125,601,143
Other Income	19,824,549	-	17,830,028	52,261,433	-34,431,405
Total income	608,833,669	85,931,091	692,770,539	585,206,986	107,563,553
Expenses					
Compensation of employees	103,238,330	-	103,238,330	95,011,091	8,227,239
Use of Goods and services	313,598,067	6,522,615	307,075,452	222,434,498	84,640,954
Finance costs	525,000	26,000	551,300	114,600	436,700
Mentee Institutions-operations	-	97,295,598	97,295,598	41,529,449	55,766,149
Remuneration of directors	-	-	-	7,005,124	-7,005,124
Development expenditure	191,599,265	-	191,599,265	166,162,524	25,436,741
Total expenditure	608,960,662	103,844,213	699,759,945	532,257,286	167,502,659
Surplus for the period	-126,993	-17,913,122	-6,989,406	52,949,701	-59,939,107

10. NOTES TO THE FINANCIAL STATEMENTS

i. GENERAL INFORMATION

Kisii National Polytechnic entity is established by and derives its authority and accountability from TVET Act. The entity is Semi-Autonomous Government Agency and is domiciled in Kenya. The entity’s principal activity is training.

ii. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Kisii National Polytechnic* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Kisii National Polytechnic*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act), and International Public Sector Accounting Standards (IPSSAS). The accounting policies adopted have been consistently applied to all the years presented.

iii. ADOPTION OF NEW AND REVISED STANDARDS

a. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
<p>IPSSAS 40: Public Sector Combinations</p>	<p>Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. <i>(The standard is not relevant to our entity)</i></p>

b. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020

iv. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions
Fees and fines

The entity recognizes revenues from fees and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

The ministry appointed Kisii National Polytechnic as a mentor for the management and construction project of Riamo ITI, Kitutu masaba TVC, South Mugirango TVC, Kakrao TVC and Kitutu Chache South (Kiamwasi TVC). Kisii National Polytechnic recognises the funds in its financial statements since it controls its assets. Though the future probable benefit will not flow to the institution.

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2019-2020 was approved by the KNP Governing council. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its costs recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The depreciation is calculated on the reducing balance to write down the cost of each asset to its estimated useful life using the following rates.

Land	- 0%
Buildings	- 2.5%
Motor Vehicles	- 25%

Furniture/Fittings	- 12.5%
Computers	- 30%
Plant & Computers	- 12.5%

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized developed development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets has been assessed to have finite life of 8 years thus amortized at 12.5%.

e) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Impairment of financial assets

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities
Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

j) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

l) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

n) Related parties
The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the of Governing council, the Principal and senior managers.

o) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imp rests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

p) Comparative figures
Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

q) Subsequent events
There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

v. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values
The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**vi. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
(Continued)**

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

23. Contingent Liability.

Kisii National Polytechnic has a land dispute with coffee research and the case is progressing on well .The solicitor general in his advice alluded that the legal proprietor of the land is the owner of all the development thereon . Find the copy attached for more information.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Fiscal Year	FY/2019/2020	FY/2018/2019
Currency	Kshs	Kshs
1 Transfers from National Government Ministries		
Unconditional grants		
Operational grant/capitation	163,745,250	86,040,000
Accrued Grants/capitation		86,040,000
Development grants		-
Conditional grants		
Institution Mentorship	46,690,598	25,585,595
Transfers from other government entity CDF	40,000,000	
Development grants	2,745,936	2,745,936
Total Government Grants and subsidies	253,181,784	200,411,531
2 Rendering of Services		
Tuition fees	279,763,770	231,364,276
Development Allocation	-	15,831,224
Accrued revenue student fees	30,544,183.00	17,181,866
Other -Accrued revenue -Agakhan	1,453,026.00	-
Total Rendering of Services	311,760,979	264,377,366
3 Finance Income		
Cash investment in Fixed Deposit	-	1,994,521
Total finance income	-	1,994,521
4 Other incomes		
Caution Money	489,780	-
Student council	4,588,707	-
Student ID	604,465	-
Graduation Fees Account	1,408,500	-
Revenue from mentee institution kendegeTV	3,605,920	-
Examination fees	14,463,760	-
Collaboration fees and Production Unit	6,801,185	-
Boarding fees	2,428,465	-
Hire of facilities	612,000	402,450
Income from sale of tender	71,000	10,000
Library Fine	5,895	10,680
Damages	89,440	25,519
Rental Income and related revenue	5,297,575	123,500

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	Paye As You Eat	9,035,581	9,984,825
	Registration fees	2,759,160	-
	Total other income	52,261,433	10,556,974
5	Use of Goods and Services		
	Activity	4,689,010	6,629,600
	Attachment expenses	-	1,266,300
	Boarding Equipment & store	3,503,229	2,355,096
	Collaboration Expenses	2,418,384	296,083
	Contingencies costs	32,583,994	25,884,231
	Electricity Water & Conservancy	4,481,090	5,153,467
	Graduation Expenses	2,571,840	809,490
	Insurance	2,605,512	1,252,748
	Internet/ICT	6,225,890	3,137,000
	Laboratory Equipment and Practical	-	141,400
	Local Transport and travelling	17,245,098	30,846,000
	Medical Expenses	937,288	501,364
	Development expense	-	2,788,543
	Production Unit	3,192,865	295,759
	Repair Maintenance& Improvement	26,407,425	4,960,295
	School Equipment & stores	38,690,277	58,229,396
	Student ID	1,103,650	1,503,807
	Workshop Equipment and Practical	31,546,582	11,067,013
	Pay As You Eat	8,733,347	15,114,119
	Caution Money	97,200	359,900
	TVET/HELB Bursary(Refund)	937,600	-
	Students Council	6,468,100	5,710,733
	Examination Expenses	21,365,850	33,542,660
	Miscellaneous expenses	-	5,382,371
	Cleaning services and security services	6,630,267	-
	Total good and services	222,434,498	219,595,805

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15	Inventories		
	Consumable stores	5,705,976	2,703,833
	Total Inventories	5,705,976	2,703,833
16	Intangible Assets Software		
	Cost		
	At beginning of the year		
	Additions ERP	24,708,000	-
	Additions -Sensor	3,990,980	-
	Cost end of the year	28,698,980	-
	Amortization and impairment		
	At beginning of the year		
	Amortization 12.5%	597,895	-
	Amortization at end of the year		
	Less: Impairment loss		
	At end of the year NBV	28,101,085	-
17	Trade and other Payables from Exchange Transactions		
	Hasus Energy	7,814,934	
	Fast Lane	2,891,571	18,820,000
	Trade payables/Direct Creditors	1,525,064	
	Prepaid fee -NYS	17,813,998	27,265,399
	prepayments-capitation and self-sponsored	43,340,979	-
	ABNO -Software International	7,659,707	-
	Retention money		
	Hasus Energy	6,821,343	-
	Vakaceh Ltd	231,400	-
	Gesure Building Contractors	2,296,164	-
	Galaxy ltd	1,229,387	-
	Fast lane -Clothing & Textile W/S	310,174	-
	P Sam sam ltd	2,157,904	12,742,015
	Other payables retention fees	-	-
	Total trade and other payables	94,092,625	58,827,414

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18 Refundable deposits from customers/students			
Examination Fund	30,931,416		18,158,698
School Farm	333,366		333,366
Bursary Fund	534,700		534,700
Student Council	-		884,566
Uniform Fund	15,650		15,650
Caution money	4,924,884		4,533,104
KETTISO Account	1,312,790		1,312,790
Total deposits	38,052,806		25,772,874
19 Development Payments under mentee institutions			
Kiamwasi TVC			
RiamoTVC	29,495,990		-
Kitutu MasabaTVC	1,864,117		-
South MugirangoTVC	6,170,822		-
Furniture for 5 mentee institution	18,941,236		-
Total development in Mentee institution	14,545,026		-
20 Other development expenditures	71,017,191		-
Other development expenditures	-		43,812,940
Other development expenditures	-		43,812,940
Total other development expenditure	-		-
21. Transfer from other Government Entities to mentee institutions			
Kiamwasi TVC	20,000,000		-
Kiamwasi TVC	10,000,000		-
South MugirangoTVC	10,000,000		-
	40,000,000		-

Kisii National Polytechnic
Annual Report and Financial Statements for The Year Ended June 2020

22 PLANT PROPERTY AND EQUIPMENT

	Land	Buildings	Motor vehicles	Furniture and	Computers	Plant and	Other Assets	Mentee Projects	KNP Capital	Total
				fittings		equipment	Intangible Assets		Work in progress	
	0.00%	0.025	0.25	0.13	0.3	0.13	0.125	Work in progress	0	
Cost	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
At 1 July 2019	525,000,000	480,570,748	26,205,101	8,850,540	11,515,000	104,145,087	-	-	75,613,751	1,231,900,227
Prior Year Adjustments		82,339,752						108,714,043		191,053,795
Additions	-	-	-	-	-	2,917,862	28,698,980	71,017,191	70,986,215	175,370,639
Disposals	-	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-	-
At 30th June 2020	525,000,000	562,910,500	26,205,101	8,850,540	11,515,000	107,062,949	28,698,980	179,731,234	146,599,966	1,598,324,661
Depreciation and impairment										
At 1 July 2019	-	14,072,763	9,232,126	1,179,389	2,774,361	14,875,954	-	-	-	42,134,593
Depreciation charge	-	14,072,763	6,551,275	1,150,570	3,454,500	13,918,183	-	-	-	39,147,291
Impairment/amortization	-	-	-	-	-	-	597,895	-	-	597,895
Ac Depreciation At 30 June 2020	-	28,145,525	15,783,401	2,329,960	6,228,861	28,794,138	597,895	-	-	81,879,780
Net Book as at 30/6/2020	525,000,000	534,764,975	19,653,826	7,699,970	8,060,500	93,144,766	28,101,085	179,731,234	146,599,966	1,542,756,321

23 Prior year adjustments

The Kshs 82,339,752 recognized in the PPE is an amount for buildings which were omitted in last financial year and Kshs 108,714,043 recognized in the PPE schedule under mentee work in progress relates to construction of storey buildings for Riamo TVC and Kitutu Masaba TC that are mentored by Kisii National Polytechnic.

